

Date: August 23, 2001

To: All Consumer Lenders Engaged In Payday Lending

From: Charles W. Phillips, Director

Re: Indiana Supreme Court Ruling Regarding Maximum Interest Rates

In January of 2000, the department mailed to you a copy of then Attorney General Modisett's official opinion regarding the allowed maximum interest on all consumer loans including short term, single pay loans known as "payday loans". It was mailed to you for informational purposes as to the position of the department in interpreting certain provisions of the consumer credit code.

Subsequently, multiple class action lawsuits were filed in federal court by borrowers against lenders who allegedly were in violation of the parameters set forth in the official opinion. The Court certified two questions and requested the Indiana Supreme Court to address those questions before any suits could proceed. On August 16, 2001, the Indiana Supreme Court issued a ruling on the two certified questions from the federal district court of Indiana, southern division, as to whether a lender may charge up to 36% on a consumer loan under \$930.00 or a \$33.00 minimum finance charge. The Court ruled that the maximum interest rate of 36% Annual Percentage Rate was applicable to consumer loans under \$930.00 (IC 24-4.5-3-508(2)). The Court also acknowledged that any annual percentage rate in excess of 72% violates the loansharking statute and constitutes a criminal offense (IC 35-45-7-2). The loan is also void. This ruling is available at the Department of Financial Institution's website at www.dfi.state.in.us under "payday lending".

We ask that you review the Indiana Supreme Court decision and discuss with your attorney the possible implications and ramifications the ruling may have on your business transactions, both past and future.

As a licensee authorized to make consumer loans in Indiana it is paramount that your transactions be in compliance with Indiana law. Licensees shall submit in writing their respective plans to achieve and maintain compliance with the ruling of the Supreme Court.

Please file your written response with this office prior to September 10, 2001.